

**Zoono Group Limited (ASX: ZNO)
ASX ANNOUNCEMENT**

25 February 2021

Revenues of NZ\$14.4m in H1FY21, up 741% on prior corresponding half-year

Global expansion continues with major deals worldwide

Half-Year Financial Highlights:

- Total revenue of NZ\$14.4m, up NZ\$12.7m on the prior corresponding half-year
- Net profit before tax of NZ\$2.7m, up NZ\$3.4m on the prior corresponding half-year
- Operational cash flow of NZ\$3.6m despite tax payments totalling NZ\$2.5m
Cash at bank of NZ\$7.3m despite paying dividend/tax payments totalling NZ\$7.5m
- Cash receipts exceeded \$20m in the first half
- \$7m in invoiced sales in December

Half-Year Operational Highlights:

- COVID-19 pandemic impact of circa NZ\$6 to NZ\$7m on H1 FY21 sales revenues.
- Global expansion continues with progress in all regions (EU, Americas, Asia-Pacific).
- Zoono assumes ownership and control of US licensee.

Global biotech company **Zoono Group Limited** ('Zoono' or 'the Company') (ASX: ZNO) is pleased to provide its financial statements and Appendix 4D for the half-year ended 31 December 2020 (H1 FY21), along with the following operational update.

Zoono develops, manufactures and distributes a suite of scientifically-validated, long-lasting and environmentally-friendly anti-microbial solutions, primarily in the B2B sector. In H1 FY21, Zoono saw strong growth across its key metrics and continued its global expansion.

In financial terms, while Zoono had a strong half-year (compared to the prior corresponding period (pcp)), it was also a half-year adversely affected by the COVID-19 pandemic. On a positive note, Zoono achieved total revenues of NZ\$14.4m (up NZ\$12.7m on the pcp) and a significant net profit before tax of NZ\$2.7m (an increase of NZ\$3.4m on the pcp).

Total cash received in the half-year was NZ\$20.7m which, in conjunction with its inventory, a strong balance sheet and sound business model at the half year-end, has the Company well placed to continue to build its business in H2 FY21 and to execute its strategic growth initiatives.

The order book is also strong, with orders in December 2020 of NZ\$7.1m. These orders will be shipped in the March quarter (Q3 FY21).¹

However, on the downside, the half year was disappointing in that the Company's financial results were adversely affected by the COVID-19 lockdown measures in place globally (and, in particular, in the UK since November 2020).

While the Company has, overall, undoubtedly benefited from the impact of the COVID-19 pandemic, in many respects, the opposite has been the case in the review period in that the disadvantages have outweighed the benefits. Confidence in and around the workplace has been adversely affected and, with the Company's business being primarily focussed on the B2B sector, several major supply agreements have been put on hold or deferred simply because either the businesses or the buildings housing them (or both) have been closed and/or the employees not at work.

In the UK, this impact has been further compounded by Brexit which has made logistics difficult, particularly in relation to guidance to customers with respect to supply timeframes.

These issues have materially, and adversely, impacted sales revenues in H1 of FY21 (with the impact for the half year estimated at approximately NZ\$6m to NZ\$7m).

UK & Europe

With the COVID-19 issues in the UK and EU, Zoono UK has been concentrating on two major activities:

- completion of all required product registrations across the EU, with the result that the Company is now selling into 20 EU countries (with Italy and Spain soon to be added). In addition, the Company recently shipped its first significant order to Russia; and
- maintaining its existing relationships and training programs with key distributors in the UK and Europe. The simple philosophy at play is that, if the distributors are able to better understand the benefits of Zoono, they will use their teams to help build the Zoono brand without the need for the Company to invest significantly in staff and/or its own marketing / distribution infrastructure.

Despite the negative impact of COVID-19 on the UK / EU business, the above strategy is working well with a steady stream of orders from Bunzl, Killis and Onespray (which are in turn fulfilling orders from Atalian Servest, CBRE, ISS and First Group (both in the UK and the US)).

Moving forward, with the success to date of the vaccine rollout, the UK Government is now implementing its 'roadmap out of lockdown'. It is expected that the roadmap will present Zoono UK with some major opportunities, both in the private and Government sectors as well as in public transport, across the UK and EU.

North & Central America

This region has been a key focus for the Company during the half-year. Importantly, the Company assumed ownership and control of its US licensee and, with that step successfully completed, the Company has started to implement a similar strategy to that adopted in the UK / EU to build its American business.

¹.Zoono does not book the revenue until the shipment is properly labelled, tested and delivered. If these orders had been shipped in December, then revenues would have been NZ\$21.5m for the half-year. See Recognition of Revenues – the sales process below for further information.

The early signs are very positive with increased sales (including from airlines, other transport companies and education groups), helpful regulatory developments and continued market expansion. US invoiced sales orders in the half-year to December 2020 were approximately NZ\$2.8m.

Looking ahead, the Company expects to have the results of the US Environmental Protection Agency (EPA) testing of its Z-71 products against the human coronavirus by the end of February. The Company has also been able to amend its current EPA registration to permit use of its products in hospitals, schools and sporting facilities. This change is expected to create significant new business opportunities.

Zoono US has also been buoyed by the success of a number of recent successful trials of its products by US headquartered global companies. In one such trial, the Company was advised that its product significantly outperformed several other similar products tested over a four-week period. Zoono US is confident these trials will result in new business, with orders starting in March / April.

Zoono US will be moving into its new headquarters in April / May. The move will give it the capacity to quickly supply product to customers across the region. This will be important to the existing and planned expansion into new markets and territories across the Americas, including Canada, Mexico, Panama, Puerto Rico and Jamaica.

China/ASEAN

Zoono has revamped its approach to the China market. As previously announced, the Company has now established a wholly owned subsidiary in China (with an office in Shanghai headed by a regional manager). Working closely with New Zealand Trade and Enterprise, which is also providing resources and market intelligence, Zoono China is focussed on building its business via two key strategies:

- by capitalising on Government business opportunities (setting up a local company is key to this strategy as the Chinese government will ordinarily only purchase from Chinese registered companies); and
- using a similar strategy to that adopted in UK / EU, by building relationships with key distributors in order to target the B2B sector and to use those the networks and infrastructure of those distributors to build brand recognition.

As a first step in implementing the above strategies, Zoono's products have now passed all local testing and have regulatory approvals (being classified as first-class disinfection products).

In the Government sector, and building on the US experience, the Company has been successful in that the Institute of the Civil Aviation Administration of China is expected to start testing of the Z-71 product for use in China's civil aircraft sector. The Company hopes to achieve sales into that sector in April.

In the B2B sector, the Company has already signed several agreements with local companies and is in negotiations with potential new key distributors in the medical, pharmaceutical, hygiene and facilities management sectors. It has also recently undertaken successful trials at the Beijing Zoo and signed a comprehensive cooperation agreement. The expectation is that Zoono products will be introduced to all Chinese zoos (including the China Giant Panda Breeding Centre) and into animal shelters and veterinary hospitals.

Zoono has also signed a distribution agreement in China with a distributor in the Early Childhood Education Sector, still early stages but the initial target is 50,000 customers within 2 years.

Elsewhere in the ASEAN region, Zoono has secured a significant new customer in Japan (a large pharmaceutical company) and, following the attainment of all necessary approvals, sales into Indonesia and the Philippines have commenced. The Company is also currently exploring expanding into the Thailand and Vietnam markets in H2 FY21.

MENA Region

The Middle East continues to perform well for Zoono and, after passing some new regulatory testing, Zoono products can now be sold into hospitals and medical centres. The new testing also supports the Company's 24 hour and 30-day claims for its products.

Orders totalling circa \$1.5m have been received from Fine Hygiene Group, with more large orders expected as it now has regulatory approvals into many other MENA countries and Europe. Although its focus to date has been on surface and hand products, new products in masks, baby diapers and ultra-wipes are in the pipeline. Within the next 12-18 months, Fine Hygiene Group is expecting to sell through its existing networks into 70 countries.

During H1 FY21, via its new UAE distributor, Zoono supplied a number of new customers (including Bosch, Xerox, Dubai Metro, and Emirates Group). It has also started trials in a range of sectors, including airlines, commercial property, sports facilities, education, government buildings and hospitality.

The Company submitted a proposal to supply sanitisation products for the entire Dubai Expo 2021 site. If this opportunity can be secured and, despite the COVID pandemic, the Expo proceeds, it will provide global exposure for the Company and its products.

Elsewhere in MENA, Zoono's African business continues to grow, with new distributors in Kenya and Tanzania (each with container shipments in transit), negotiations ongoing with other resellers and distributors, new orders and approvals.

A notable development is that the Professional Golfers Association of South Africa now recognises Zoono as the partner for all events in South Africa.

On the regulatory front, the South African Health Products Regulatory Authority (SAHPRA) granted medical approval for Z-71, which opens the medical sector for the Company. Meanwhile, the National Regulator for Compulsory Specification and the South African Bureau of Standards have also both approved Z-71.

Trials are also ongoing in Africa across a wide range of sectors including agriculture, food processing, hospitality, and sports.

In H2 FY21, Zoono expects to commence shipping to Sri Lanka, Qatar, Saudi Arabia, the Maldives and Vietnam.

Australia and New Zealand

The Australia and New Zealand markets have seen steady and ongoing demand in both the B2C and B2B sectors. The Company expects to continue to further consolidate its markets and volumes in H2 FY21.

In Australia, the Company has appointed a full time Business Development manager to further drive growth in the commercial and business space. Good opportunities exist in the airport sector, especially if new quarantine hubs are finalised. Similarly, the Company's Z-71 products

were used by Melbourne Olympic Park Trust to sanitise the entire Australian Open facility for the duration of the recently completed tennis tournament.

Zoono has also seen recent uptake in the Australian defence sector, with Zoono surface and hand sanitiser technology already used in several bases in NSW. Five additional bases in Queensland are scheduled to come on-line in early March.

Other contractual opportunities through our key facilities management partners have been centered on the education (including early learning), food processing and manufacturing sectors.

Further testing is also now being undertaken to bolster Zoono's current Therapeutic Good Administration label, specifically with regards to longevity against COVID-19.

In New Zealand, Hygiene Direct is now a supply partner. With a sales force covering all major areas, further penetration into regional and local businesses and governments is expected.

Zoono Managing Director and CEO Paul Hyslop said: "We are very pleased with the momentum we were able to maintain throughout the first half of the financial year. Moving forward, our focus will continue to be the B2B markets in the Americas, UK/EU, China/ASEAN and MENA/India. While the home markets of NZ and Australia are important, the sales volumes available in the larger off shore markets demand that Zoono continues to aggressively go pursue new business globally. We remain confident of delivering a year-end revenue result that surpasses last year."

Recognition of Revenues – the sales process

Once Zoono receives a purchase order, an invoice is raised and the customer makes full or part payment, or in some cases with our Global Customers like Amazon and Qantas, 60 day terms are normal. Zoono classifies this as an invoiced sale but does not book the sale to revenues.

Labels are then ordered. Every county has a unique label and sometimes labels change, so labels are not held in stock. This process takes around two weeks. Contemporaneously, Zoono blends the liquid in one its three manufacturing locations globally and, after the labels and liquid is produced, Zoono uses contract manufacturers to pack the order. Once completed the product goes through quality and efficacy testing before it is shipped. This entire process can take 60-90 days. Once the product is shipped and a Bill of Landing is produced, Zoono then recognises the sale as revenue.

This announcement has been authorised and approved for release to ASX by the Board of Zoono Group Limited.

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About Zoono

Zoono Group Limited (ASX:ZNO) is a global biotech company that develops, manufactures and distributes a range of long-lasting and environmentally-friendly antimicrobial solutions.

Zoono produces sprays, wipes and foams suited for skincare, surface sanitisers, and mould remediation treatments. The products are based on the 'zoono molecule', a unique antimicrobial molecule that bonds to any surface and kills pathogens including bacteria, viruses, algae, fungi and mould. Backed by over 100 lab reports, the zoono molecule has proven efficacy and longevity.

Zoono's suite of products is sold to a global network of customers and distributors spread across 42 countries and territories. As the market leader in its field, Zoono continues to develop new products and is currently expanding into new regions as well as the global animal health sector. Through these initiatives, Zoono hopes to continue its mission of improving health and well-being through innovative, safe, non-toxic, and durable germ protection.

To learn more please visit: www.zoono.com